

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Calhoun County Land Bank Authority		County Calhoun County	
Fiscal Year End December 31, 2006		Opinion Date April 9, 2007		Date Audit Report Submitted to State June 6, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

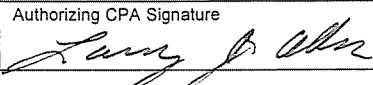
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Report on Internal Control	
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple PC			Telephone Number (810) 984-3829	
Street Address 1979 Holland Avenue			City Port Huron	State MI
			Zip 48060	
Authorizing CPA Signature 		Printed Name Larry J. Allen		License Number 1101008117

CALHOUN COUNTY LAND BANK AUTHORITY
A Component Unit of Calhoun County, Michigan

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



CALHOUN COUNTY LAND BANK AUTHORITY
A component unit of Calhoun County, Michigan

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DECEMBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Calhoun County Land Bank Authority
Marshall, Michigan

We have audited the accompanying financial statements of the Calhoun County Land Bank Authority a component unit of Calhoun County, Michigan as of December 31, 2006, and for the period then ended, as listed in the Table of Contents. These financial statements are the responsibility of the Land Bank Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Calhoun County Land Bank Authority as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 9, 2007, on our consideration of the Calhoun County Land Bank Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.



Certified Public Accountants

April 9, 2007

CALHOUN COUNTY LAND BANK AUTHORITY
A Component unit of Calhoun County, Michigan

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Current Assets:

Cash and cash equivalents	\$ 53,058
Property inventory	<u>43,994</u>
Total Current Assets	<u>97,052</u>

Total Assets	<u><u>\$ 97,052</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Due to Calhoun County	\$ <u>96,914</u>
Total Liabilities	<u>96,914</u>

Net Assets:

Unrestricted	<u>138</u>
Total Net Assets	<u>138</u>
Total Liabilities and Net Assets	<u><u>\$ 97,052</u></u>

See Notes to
Financial Statements

CALHOUN COUNTY LAND BANK AUTHORITY
A Component unit of Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED DECEMBER 31, 2006

Operating Revenues:

Sale of Property (net of cost)	\$ -
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Non-Operating Revenues:

Interest earned on investments	138
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Change in Net Assets	138
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Net Assets at beginning of year	-
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Net Assets at end of year	\$ 138
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See Notes to
Financial Statements

CALHOUN COUNTY LAND BANK AUTHORITY
A Component unit of Calhoun County, Michigan

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities:

Cash received from customers	\$ 2,920
Advance from Calhoun County	<u>50,000</u>

Net Cash Provided from Operating Activities	<u>52,920</u>
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Cash Flows From Investing Activities:

Interest earned on investments	<u>138</u>
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Net Increase in Cash and Cash Equivalents for the year	53,058
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Cash and Cash Equivalents at beginning of year	<u>-</u>
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Cash and Cash Equivalents at end of year	<u><u>\$ 53,058</u></u>
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Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating income for the year	\$ -
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Adjustments to reconcile operating income
to net cash provided by operating activities -

Increase (Decrease) in -

Due to Calhoun County	96,914
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Inventory	<u>(43,994)</u>
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Net Cash Provided by Operating Activities	<u><u>\$ 52,920</u></u>
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See Notes to
Financial Statements

CALHOUN COUNTY LAND BANK AUTHORITY
A component unit of Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF THE CALHOUN COUNTY LAND BANK AUTHORITY:

The Calhoun County Land Bank Authority is a public corporation, organized pursuant to the Michigan Land Bank Fast Track Public Act 258 and an Intergovernmental Agreement entered into between the Michigan Land Bank Fast Track Authority and the Calhoun County Treasurer. The Authority was legally established on July 13, 2006. The Calhoun County Land Bank Authority conducted its organizational meeting on December 7, 2006.

The Calhoun County Land Bank Authority is comprised of seven members; the Calhoun County Treasurer who is, by law, its Chairperson, an elected or appointed official from the City of Battle Creek, an elected or appointed official from the City of Albion, one member from the Calhoun County Board of Commissioners, one township official, and two members from Calhoun County at large.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate component units of the Authority. The Authority has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Calhoun County Land Bank Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Authority's significant accounting policies:

Measurement Focus –

The financial statements of the Authority are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have not been met. The Authority has elected to apply all Financial Accounting Standards Board (FASB) statements issued after November 30, 1989 (unless they conflict with or contradict Governmental Accounting Standards Board pronouncements).

Basis of Accounting –

The Authority has one proprietary fund, which is an enterprise fund, used to account for the activities of the Authority consisting of sales of property to individuals, commercial entities and nonprofit organizations, rental of properties to individuals, rehabilitation and demolition of properties in preparation for sale or for future development.

CALHOUN COUNTY LAND BANK AUTHORITY
A component unit of Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (cont'd):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods (in this instance property) in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for the sale of property. All other revenues and expenditures are considered nonoperating.

Cash Equivalents – Cash and Cash equivalents are considered to be cash on hand, demand deposits, and short-term deposits with maturity of three months or less when acquired. Investments are reported at fair value based on quoted market prices.

Receivables and Payables – The fair value of short-term financial instruments such as accounts receivable and payable, accrued receivables, and accrued liabilities, is equal to the carrying amounts in the accompanying financial statements due to the short nature of such instruments.

Property Inventory – Properties acquired through auction are recorded at the price paid. Foreclosed properties not sold at auction automatically revert to the Authority, which pays the delinquent taxes for each parcel.

Due to Calhoun County - This liability relates to the cost of parcels received from the County upon the creation of the Authority and for any funds received from the County in order to rehabilitate certain properties. When a parcel is sold, the cost of the parcel received from the County and any rehabilitation costs from borrowed funds are paid back to the County at that time.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Deposits and Investments -

The Authority's investment policy and Act 20 PA 1943, as amended, authorizes the Authority to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

CALHOUN COUNTY LAND BANK AUTHORITY
A component unit of Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

Act 20 PA 1943 as amended authorizes the Authority to invest surplus funds in bonds, securities and other obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

Custodial Credit Risk – is the risk that in the event of a bank failure, the Authority's deposits or investments may not be returned.

Interest Rate Risk – is the risk that in the event that the market value of securities in the County portfolio will fail due to changes in the market interest increases. The County attempts to minimize interest rate risk by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short term securities and money market funds.

Credit Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State laws and County policy limit the types of investments the Authority can purchase.

As of December 31, 2006, all of the Authority's holdings in investment trust funds of \$53,058 were rated AAAM by Standard and Poor's and Aaa by Moody's.

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority's investment policy requires diversification by security type but does not place a fixed percentage limit for any one issuer. As of December 31, 2006, the Authority had greater than 5% of its total investment portfolio concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
Investment Trust Funds	LaSalle Bank	100 %

The investment trust funds have been reported in the financial statements as a cash equivalent because they have the general characteristics of demand deposit accounts in that the Authority may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

CALHOUN COUNTY LAND BANK AUTHORITY

A component unit of Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 4 – SALE OF PROPERTY:

The Authority records all property sales net of associated costs. For the year ended December 31, 2006, the total sales recorded by the Authority was \$2,920 with associated costs of \$2,920.

NOTE 5 – RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors, and omissions, and employee injuries. The Authority has not purchased insurance for these claims due to the fact the properties were covered under the umbrella policies of Calhoun County until their transfer to the Authority in December of 2006.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

April 9, 2007

Board of Directors
Calhoun County Land Bank Authority
Marshall, Michigan

We have audited the basic financial statements of the Calhoun County Land Bank Authority, a component unit of the County of Calhoun, Michigan, as of and for the year ended December 31, 2006, and have issued our report thereon, dated April 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit as of and for the year ended December 31, 2006, we considered the Delinquent Tax Revolving Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified the following control deficiency that would be considered a significant deficiency in internal control over reporting:

The Calhoun County Treasurer's Department on behalf of the Calhoun County Land Bank Authority prepares various financial information for the Authority to assess operations and the financial condition of the Authority; however, that information is not required to be a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Authority relies on our firm to assist in reporting the annual financial statements in accordance with Generally Accepted Accounting Principles.

The Authority and Treasurer's department have individuals on staff to review and determine that the financial statements are accurate, however, has not elected to review and determine that the financial statements are a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the Calhoun County Land Bank Authority is considered to have a significant control deficiency, since presentation errors or omission could occur in the presentation of the annual financial statements that would be departures from generally accepted accounting principles and the Authority would not be in a position to detect the errors or omissions.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency stated above to not be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Calhoun County Land Bank Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Directors of the Calhoun County Land Bank Authority and the Michigan Department of Treasury and is not intended to be and should be used by anyone other than these specified parties.


Certified Public Accountants

April 9, 2007